ANALYSIS BY THE LEGISLATIVE ANALYST

Background

Surplus State Property. Current state statutes generally require a state agency to review annually its real property holdings (land and facilities) and determine what, if any, is in excess of its foreseeable needs. These properties are commonly referred to as "surplus state properties." They include both unused properties and those which are underutilized by an agency. Certain state-owned properties are excluded from being designated as surplus property, including any land designated for use for highway purposes.

Once real property has been identified as surplus, the state attempts to sell the property, or dispose of it in some other manner, such as by giving it to a local government. When surplus property is sold, the sales revenues are deposited into the account that originally paid for the acquisition of the property. In most instances, sales revenues are deposited in the state's General Fund and are available for expenditure on any state program.

Proposition 57 Bonds. In March of this year, voters approved Proposition 57, which authorizes the issuance of up to $15 billion in bonds to finance past budget deficits. The debt service (principal and interest payments) on these bonds is to be repaid over a 9- to 14-year period from designated General Fund revenues. (For more information on state bonds, please refer to the section of the ballot pamphlet entitled "An Overview of State Bond Debt.")

Proposal

This measure requires that proceeds from the sale of surplus state property that occur on or after the passage of this measure be used to pay the principal and interest on Proposition 57 bonds. Once these bonds are fully repaid, proceeds from surplus property sales would be deposited in the General Fund.

The measure does not apply to properties acquired with specified transportation funds or other special fund monies. In other words, the measure only applies to those properties that were purchased with General Fund revenue or bonds secured by the General Fund.

Fiscal Effects

Proceeds from the sale of surplus state property, which fluctuate significantly from year to year, are not a major source of General Fund revenue. For example, surplus property sales have averaged roughly $30 million a year over the past decade. (By comparison, total General Fund revenues in 2003–04 were roughly $75 billion.) By dedicating these surplus property proceeds to the debt service on Proposition 57 bonds, this measure would accelerate the bonds' repayment probably by a few months. In effect, the state would pay out more for debt service on these bonds in the short term and less in the longer term. (This is similar to what happens when individuals make additional payments on top of their regular car or home loan payments.) While this measure would not change the amount of bond principal, it would reduce the amount of interest payments over the life of the repayment period. We estimate that these interest savings—expressed in today's dollars—could be in the low tens of millions of dollars.

For text of Proposition 60A see page 81.